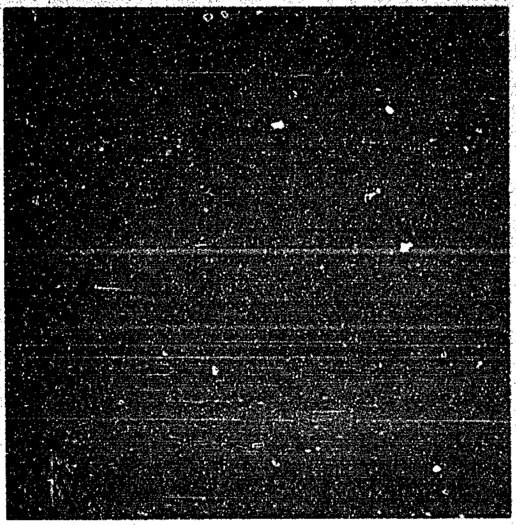
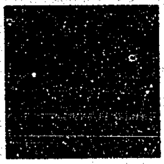
PANTRY PRIDE, INC.



ANNUAL REPORT 1985



PANTRY PRIDE, INC.

Ronald O. Perelman

Chairman and Chief Executive Officer

The 1985 fiscal year was one of dynamic change for your company. In June, shareholders endorsed a Preferred Stock Purchase Agreement which enabled MacAndrews & Forbes, a diversified consumer and industrial products company, to become the company's largest shareholder. MacAndrews & Forbes' expertise in corporate management, acquisitions and divestitures will be highly beneficial to our company and its shareholders as we implement a new direction for accelerated growth by Pantry Pride.

Since June, management has moved aggressively forward. We have purchased a controlling interest in Revlon, Inc., and will shortly effect a merger which will make Revlon a wholly-owned subsidiary of this company.

REVLON, INC.

On August 19, 1985, we announced our intention to commence an offer to purchase any and all outstanding common shares of Revlon, Inc. By November 5, we took effective control of Revlon and had entered into an agreement providing for an orderly change of management at Revlon. That process is now well underway. Your company's top management is now in place at Revlon and actively engaged in an intensive review and analysis of all of Revlon's operations.

Our acquisition of Revlon is an important achievement: Revlon's quality products and specialized health care divisions are strategically positioned for continued growth in well-established market niches, and we intend to seek ways of strengthening those businesses to enhance their revenue, earnings and cash flow. Revlon's managers are well respected, hands-on product and marketing innovators, and working with them, we will develop a strategic business plan that will best achieve our objective of providing the highest returns to our shareholders.

At Revlon, we have signed a definitive agreement with Beecham Holdings, Inc. for the sale of Revlon's Norcliff Thayer health products unit and Reheis specialty chemical business for $395 million in cash. On November 27, we signed an agreement to sell USV Pharmaceuticals and Armour Pharmaceuticals to Rorer Group, Inc., for $690 million in cash.

Prior to our assumption of control of Revlon, an agreement was entered into with Beauty Acquisition Corporation for the sale of Revlon's beauty division for $905 million. Disputes have arisen concerning the sale and litigation has commenced. At this time it is impossible to predict the outcome of that litigation.

We are currently reviewing the remaining operations to determine which will be held for the long term and which will be converted into cash in the near term.

Financial Restructuring

Following the infusion in June of $60 million of new equity capital from MacAndrews & Forbes, we moved quickly to take advantage of more favorable market conditions and were able to successfully raise over $730 million in a public debt offering.

In November, we completed a private placement of Extendible Subordinated Notes in the principal aggregate amount of $225 million and Extendible Senior Subordinated Notes in the principal aggregate amount of $500 million. These funds, together with the proceeds of the earlier offering and bank loans, were used principally for the Revlon acquisition.

Redeployment of Assets

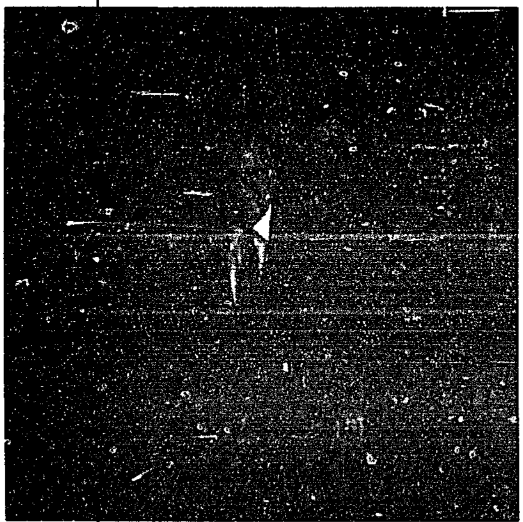
Consistent with our foremost objective to maximize your investment, we are also investigating ways in which Pantry Pride's other assets and businesses can generate greater returns for you. To help achieve this restructuring, we sold our four SuperSun warehouse food stores to Winn-Dixie Stores, Inc., and have entered into an agreement with Florida Supermarkets, Inc., a subsidiary of Red Apple, Inc., to sell our remaining Florida supermarkets. That sale, when consummated, will completely eliminate our retail supermarket operations.

We are also actively reviewing our investments in Adams Drug Company and Devon Stores. While both are soundly managed and profitable operations, we believe it may be appropriate to sell one or both of these businesses as we pay down debt and assimilate Revlon.

Management

Since June, we have installed a new management team at our company. Howard Gittis, Vice Chairman of MacAndrews & Forbes, as well as counsel to the law firm of Wolf, Block, Schorr and Solis-Cohen, has been named Vice Chairman. In addition, Mr. Gittis has been named Vice Chairman of Revlon. Bruce Slovin, President of MacAndrews

Office of the Chairman



Howard Gittis
Vice Chairman

Bruce Slovin
President

Fred L. Tepperman
Senior Executive Vice President

& Forbes and Chairman of Pantry Pride's Executive Committee, has assumed the additional responsibilities of President of Pantry Pride and Chairman of Revlon's Executive Committee.

We have been fortunate in being able to maintain the key executive personnel at Revlon following our recent acquisition. That management group has been further strengthened by the election of Sol Levine, a long-time Revlon executive, as President.

Today, with our management in place, our financial and operational restructuring progressing successfully and rapidly, and with the exciting opportunities we see for our Revlon acquisition, we are confident that our shareholders will benefit as we implement our long-term business plan.

Sincerely,

Ronald O. Perelman
Chairman and Chief Executive Officer

FIVE YEAR SELECTED FINANCIAL DATA

(dollars in thousands except per share data)

	August 3, 1985	July 28, 1984*	July 30, 1983*	July 31, 1982*	August 1, 1981*
OPERATING RESULTS					
Sales, continuing operations	**$ 345,135**	$ 8,326	$	$	$
Earnings (loss) from continuing operations before non-recurring expenses and taxes	**5,025**	4,516	2,871	9,460	(5,553)
Non-recurring compensation and proxy contest expenses	**(14,517)**				
(Loss) earnings from continuing operations	**(10,452)**	2,336	1,464	4,825	(5,553)
Primary (loss) earnings per share from continuing operations	**(.32)**	.08	(.10)	(.07)	(.73)
FINANCIAL POSITION					
Total assets	**1,129,330**	266,109	244,081	225,674	223,169
Long-term debt	**724,011**	45,882	93,801	66,578	76,173
Redeemable preferred stocks	**124,150**			37,436	32,611
Stockholders' equity	**192,107**	138,686	58,287	22,353	11,642

* Restated to reflect the discontinued supermarket operations. Accordingly, all sales, cost of sales and expenses of the supermarket operations have been reclassified as discontinued operations. The restated sales and (loss) earnings from continuing operations reflect the results of Devon Stores, Inc. and Adams Drug Co., Inc. operations from the date of acquisition. (See "Management's Discussion and Analysis of Results of Operations").

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

FISCAL 1985 COMPARED WITH FISCAL 1984

During 1985 the Company adopted a plan to discontinue its supermarket operations which resulted in the restatement of prior year financial statements reflecting the supermarkets as discontinued operations.

The 1985 fiscal year is not comparable with the prior year because the continuing operations of the Company consist of Adams Drug Co., Inc. acquired on October 31, 1984 and Devon Stores, Inc. acquired on May 25, 1984. Sales for 1984 represent those of Devon from acquisition date until the end of fiscal 1984.

Interest expense for 1985 has increased $12.2 million from the prior year as a result of the debt service associated with the acquisition of Adams and its outstanding operating debt.

Non-recurring expenses for 1985 include proxy contest expenses and litigation settlement totaling $6.5 million associated with the proxy battle instituted by a group of dissident shareholders, and an $8.0 million provision for the compensation continuity program and other severance costs resulting from a change of control of the Company. Miscellaneous income for 1984 was $1.9 million resulting primarily from the reduction of the provision for closed operations pension withdrawal liability.

The earnings from discontinued operations for 1985 was $.9 million representing earnings from supermarket operations and capital gains from the sales of certain supermarket properties. The earnings for 1984 of $3.2 million, net of taxes, represented supermarket operations for the year, capital gains from the sales of supermarket warehouses, provisions for supermarkets closed in fiscal 1984 and reductions of reserves for the same established in earlier years. To a lesser extent, there was also a reduction of the original provision for projected losses associated with the discontinuance of manufacturing operations in 1983.

Extraordinary earnings for 1985 were $1.8 million compared with $4.4 million for 1984. There was no utilization of net operating loss carryforwards for 1985 compared with a $3.2 million utilization for 1984. The reduction in the Plan of Arrangement debt liability, resulting from better-than-anticipated claim settlements for 1985 was $1.8 million as compared with $1.2 million for 1984.

For the effects of inflation on each year's financial statements see "Supplementary Information on Changing Prices" disclosure included in accordance with Financial Accounting Standards Board Statement No. 33, "Financial Reporting and Changing Prices".

FISCAL 1984 COMPARED WITH FISCAL 1983 AND FISCAL 1983 COMPARED WITH FISCAL 1982

As a result of the Company's decision to discontinue all supermarket operations, prior year financial statements have been restated to reflect the supermarkets as discontinued operations. Except for interest and an estimated level of fixed corporate overhead, continuing operations contain nine weeks of Devon operations in 1984 and no operating companies in 1983.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The Company has undergone significant changes in its operations, long-term indebtedness and capital structure during fiscal 1985. In conjunction with the sale of $60.0 million in voting cumulative convertible preferred stock to MacAndrews & Forbes Holdings Inc., ("MacAndrews & Forbes") which effectively has the controlling interest, the Company has announced its intention to discontinue its supermarket operations and to acquire new assets and businesses. An additional $10.0 million in voting cumulative convertible preferred stock was sold in August 1985 to certain entities related to Drexel Burnham Lambert Incorporated. In July 1985, the Company sold, through a public offering (the "July Public Offering") subordinated debt securities and redeemable preferred stock (the "July Securities") aggregating $757.5 million face amount ($729.7 million net after expenses) to be used primarily for future acquisitions. Approximately $46.0 million of these proceeds were used to reduce a $90.0 million term loan that was arranged to finance the Company's acquisition of Adams in October 1984.

Funds generated by existing operations will not be sufficient to enable the Company to meet its debt service and dividend obligations on the July Securities (which will be approximately $106.0 million annually) and other fixed charges. The Company anticipates, however, that to the extent revenue producing assets are acquired, its ability to meet such obligations should improve. However, the Company believes that it will have sufficient resources to meet such obligations in the interim. In addition to cash generated from operations, these resources are expected to include (i) amounts realized from interim reinvestment of the net proceeds of the July Public Offering, (ii) existing cash, (iii) proceeds from the disposition of supermarkets and (iv) existing bank lines of credit.

The Company, through its wholly owned subsidiaries, maintains various lines of credit with a group of banks aggregating $71.0 million, of which $51.7 million was outstanding at year end. Approximately $42.7 million of the borrowings are collateralized by accounts receivable.

Subsequent to year end the Company announced a cash tender offer for any and all outstanding shares of Revlon, Inc. which would require the majority of the proceeds from the July Public Offering and the proceeds from additional financing of approximately $770.0 million in subordinated notes and $465.0 million in bank financing. Upon the successful completion of the cash tender offer, the Company intends to reduce levels of debt through the divestiture of various assets and businesses of Revlon. The Company is reviewing on the basis of available information, the various assets and businesses of Revlon it will seek to sell and which assets it will retain.

CONSOLIDATED STATEMENTS OF OPERATIONS

(dollars in thousands except per share data)

	Year Ended August 3, 1985	Year Ended July 28, 1984(*)	Year Ended July 30, 1983(*)
Sales, continuing operations	$345,135	$ 8,326	$
Costs and operating expenses:			
Cost of goods sold	222,426	3,559	
Selling, general and administrative	112,566	6,511	2,607
Interest from sales financing, net	(5,418)	(415)	
	329,574	9,655	2,607
Operating profit (loss)	15,561	(1,329)	(2,607)
Interest income	4,477	6,147	5,860
Interest expense	(14,340)	(2,170)	(1,432)
Miscellaneous	(673)	1,868	1,050
Earnings from continuing operations before non-recurring expenses	5,025	4,516	2,871
Non-recurring compensation and proxy contest expenses	(14,517)		
(Loss) earnings from continuing operations before income taxes	(9,492)	4,516	2,871
Provision for income taxes	(960)	(2,180)	(1,407)
(Loss) earnings from continuing operations	(10,452)	2,336	1,464
Discontinued operations:			
Earnings from operations, net of provision for income taxes of $429 and $6,745 in 1984 and 1983, respectively	863	2,435	7,224
Reduction of (provision for) estimated loss on disposition, net of provision (benefit) for income taxes of $735 and $(2,303) in 1984 and 1983, respectively		765	(2,397)
	863	3,200	4,827
(Loss) earnings before extraordinary items	(9,589)	5,536	6,291
Extraordinary items:			
Utilization of net operating loss carryforward		3,242	5,949
Gain from debt reduction and restructuring	1,775	1,150	1,300
	1,775	4,392	7,249
Net (loss) earnings	$ (7,814)	$ 9,928	$13,540
(Loss) earnings per common and common equivalent share:			
Continuing operations	$ (.32)	$ .08	$ (.10)
Discontinued operations	.02	.12	.29
Extraordinary items	.05	.16	.44
	$ (.25)	$ .36	$ .63

(*) Restated to reflect the discontinued supermarket operations.

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

	August 3, 1985	July 28, 1984
ASSETS		
Current assets:		
Cash and cash equivalents	$ 11,856	$ 24,607
Accounts receivable	99,918	63,116
Less: Allowance for doubtful accounts	(12,436)	(5,046)
Deferred interest	(8,475)	(6,375)
	79,007	51,695
Inventories	113,947	44,845
Prepaid and other	3,192	3,843
Total current assets	208,002	124,990
Cash and securities reserved for acquisitions	741,189	
Net assets held for disposition	35,615	14,475
Property and equipment:		
Land	2,094	4,644
Buildings	8,907	9,359
Leasehold improvements	11,871	20,022
Fixtures and equipment	22,876	42,467
Capitalized leases		34,350
	45,748	110,842
Less accumulated depreciation and amortization	17,258	46,895
Total property and equipment	28,490	63,947
Deferred charges	22,046	3,120
Other assets	9,101	8,476
Intangible assets related to businesses acquired (less accumulated amortization of $2,099 and $198, respectively)	84,887	51,101
	$1,129,330	$266,109

See Notes to Consolidated Financial Statements.

	August 3, 1985	July 28, 1984
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 19,796	$ 21,119
Accrued salaries and expenses	40,262	34,659
Current portion of long-term debt	25,718	17,647
Total current liabilities	85,776	73,425
Long-term debt	724,011	45,882
Other liabilities	3,286	8,116
Series B cumulative redeemable exchangeable preferred stock	124,150	
Stockholders' Equity:		
Series A cumulative convertible preferred stock, par value $1.00, 700,000 shares authorized, 600,000 shares issued	600	
Common stock, par value $0.01, 60,000,000 shares authorized, 39,017,173 shares issued in 1985, 37,781,761 shares in 1984	390	378
Capital in excess of par	209,090	148,467
Deficit	(17,973)	(10,159)
Total stockholders' equity	192,107	138,686
	$1,129,330	$266,109

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(dollars in thousands)

	Series A Cumulative Convertible Preferred Stock	Common Stock	Capital in Excess of Par	Deficit
Balance, July 31, 1982	$	$100	$ 55,880	$(33,627)
Recapitalization		115	25,378	
Preferred stock conversions			3	
Preferred stock accretion			(3,111)	
Stock options exercised			9	
Net earnings				13,540
Balance, July 30, 1983		215	78,159	(20,087)
Stock options exercised		2	610	
Debenture conversions		82	40,290	
Acquisition of Devon		79	29,408	
Net earnings				9,928
Balance, July 28, 1984		378	148,467	(10,159)
Plan of Arrangement distribution		8	149	
Retail Clerks Pension Fund settlement		2	955	
Stock options exercised		1	214	
Employee stock purchase plan		1	397	
Series A preferred stock issued	600		58,908	
Net loss				(7,814)
Balance, August 3, 1985	**$600**	**$390**	**$209,090**	**$(17,973)**

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION
(dollars in thousands)

	Year Ended August 3, 1985	Year Ended July 28, 1984(*)	Year Ended July 30, 1983(*)
Source of Funds:			
Operations:			
(Loss) earnings from continuing operations	**$(10,452)**	$ 2,336	$ 1,464
Charges not affecting working capital:			
Depreciation and amortization	**5,682**	832	347
Funds from continuing operations	**(4,770)**	3,168	1,811
Funds (used) provided from discontinued operations	**(662)**	11,647	10,884
Extraordinary items:			
Utilization of net operating loss carryforward		3,242	5,949
Debt reduction and restructuring	**1,775**	1,150	1,300
Funds (used) provided from operations	**(3,657)**	19,207	19,944
Preferred stock issued	**183,658**		
Common stock issued	**1,727**	70,471	25,502
Proceeds from net assets held for disposition	**51,175**	20,556	8,305
Reclassification of supermarkets' property and equipment to net assets held for disposition	**32,400**	23,669	
Increase (decrease) in long-term debt	**647,991**	(73,003)	27,223
	$913,294	$ 60,900	$80,974
Application of Funds:			
Retirement of preferred stock	**$**	$	$40,544
Purchases of property and equipment, net	**8,583**	13,361	14,324
Business acquisitions:			
Property and equipment, net	**21,016**	2,093	
Long-term debt	**(30,138)**	(25,085)	
Intangible assets	**35,687**	51,299	
Other	**2,368**		
Funds used for acquisitions	**28,933**	28,307	
Cash and securities reserved for acquisitions	**741,189**		
Increase in net assets held for disposition	**31,156**	10,005	4,463
Disposition losses, net of gains	**10,385**	11,634	66
Increase (decrease) in deferred costs	**16,288**	480	(1,648)
Decrease (increase) in other	**6,099**	6,151	(2,374)
Increase (decrease) in working capital	**70,661**	(9,038)	25,599
	$913,294	$ 60,900	$80,974

(*) Restated to reflect the discontinued supermarket operations.

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands except per share data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation
The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All material intercompany accounts and transactions have been eliminated. The Company's fiscal year ends on the Saturday nearest to July 31. The year ended August 3, 1985 consisted of 53 weeks, while the years ended July 28, 1984 and July 30, 1983 consisted of 52 weeks.

Accounts Receivable
Installment accounts receivable are generally due within six to eighteen months. In accordance with trade practice, installments maturing beyond one year, approximating $12,700 at August 3, 1985 have been included in current assets. Interest on installment accounts receivable is recognized over the terms of the receivables based on an interest method.

Inventories
Inventories are stated at the lower of cost or market. The consumer merchandise stores inventory is determined principally by the average cost method. The retail drug operation utilizes the last in, first out (LIFO) method to determine inventory cost. On a first in, first out (FIFO) basis the inventory at August 3, 1985 would have been $1,874 higher than reported.

Cash and Securities Reserved for Acquisitions
Cash and securities reserved for acquisitions principally consist of the proceeds from the July Public Offering and the sale of Series A preferred shares. At August 3, 1985, 36.8% of the funds were invested in repurchase agreements and certificates of deposit, 63.2% were in commercial paper, corporate bonds and preferred stocks and all were stated at cost which approximated market value.

Property and Equipment
Property and equipment is recorded at cost. Depreciation and amortization for the consumer merchandise operations are computed by the straight-line method over the estimated useful lives of the assets while the retail drug operations principally use accelerated methods. Leasehold improvements are amortized on a straight-line basis over the shorter of the term of the lease or the estimated useful life of the improvements.

Deferred Charges
Expenses associated with debt offerings, principally underwriting and legal fees and printing costs, are amortized on a straight-line basis over the term of the debt.

Intangible Assets Related to Businesses Acquired
Intangible assets arose from the acquisitions of Devon Stores, Inc. and Adams Drug Co., Inc. and consist principally of goodwill which is being amortized by the straight-line method over 40 years.

Interest From Sales Financing, Net
Interest derived from financing installment sales is shown net of interest on borrowings from Devon's secured line of credit.

Store Closing and Opening Expense
Losses resulting from store closings are provided for in the period when the decision is made to close the store, along with estimated losses on related asset dispositions. Expenses incurred in connection with new, remodeled, or enlarged stores are expensed during the period when the store is opened.

Retirement Plans
Pension expense for participating hourly and salaried employees is charged to operations and includes normal cost and amortization of prior service costs over a 40-year period. Pension costs are funded as accrued.

Reclassifications
Certain reclassifications have been made to conform to the 1985 presentation.

2. DISCONTINUED OPERATIONS

During 1985, the Company adopted a plan to discontinue its supermarket operations. On October 14, 1984 the Company sold 20 stores comprising the Virginia region for approximately $14,200 in cash to the Great Atlantic & Pacific Tea Company, Inc. On April 29, 1985 the Company sold 43 supermarkets constituting its Jacksonville region to a group of private investors for net proceeds of approximately $22,500 including a promissory note in the principal amount of $4,500. The Company signed a definitive agreement to sell its remaining 40 stores in the Miami region for estimated net proceeds of $25,000, with the sale to be finalized during the second quarter of fiscal 1986. Sales for discontinued supermarket operations were $556,217, $762,085 and $941,635 for 1985, 1984 and 1983, respectively. Net assets of the supermarket operations are comprised mainly of property and equipment, inventory and related liabilities.

In July 1983, the Company discontinued its unprofitable manufacturing operations, which included food manufacturing and processing facilities for coffee roasting, soft drink bottling, and tea and powdered drink mix packaging. During fiscal 1984, substantially all of the assets of the manufacturing operations were sold and the original provision for projected losses associated with the discontinuance of such operations was reduced by $765, net of taxes of $735.

3. CONTROL BY MACANDREWS & FORBES

On March 22, 1985, the Company entered into a Preferred Stock Purchase Agreement with MacAndrews & Forbes pursuant to which, among other things, the Company agreed to issue and sell to MacAndrews & Forbes $60,000 of a Series A preferred stock. The preferred shares may, at the holder's option, be converted at a conversion price of $5.625, into 10,666,667 shares of Company common stock and carry the same number of votes. The preferred shares are entitled to receive cumulative cash dividends at the rate of $9.50 per share per annum. The Agreement was approved at a special meeting of stockholders held on June 11, 1985. As a result of such purchase and other purchases of common stock, MacAndrews & Forbes beneficially owns approximately 34.7% of all outstanding voting shares of the Company as of October 1985. The Board of Directors of the Company has also been reconstituted such that designees of MacAndrews & Forbes constitute a majority of its members. Accordingly, MacAndrews & Forbes is in a position to exert substantial control over the Company.

Since a majority of the Company's current officers are also officers of MacAndrews & Forbes, an expense allocation of approximately $1,300 was recorded by the Company and is payable for fiscal 1985 for services performed by such officers and other employees of MacAndrews & Forbes.

4. ACQUISITION OF BUSINESSES

On October 31, 1984 the Company acquired Adams Drug Co., Inc. ("Adams") a retail drug and health and beauty aid stores operation, for approximately $100,000. The funds were furnished principally through long-term debt financing. The acquisition was accounted for by the purchase method, and the results of operations have been consolidated with those of the Company from the date of acquisition. The purchase price of the acquisition exceeded the tangible net assets of Adams by $30,331.

On May 25, 1984 the Company acquired Devon Stores, Inc. ("Devon") for approximately 7,863,000 shares of the Company's common stock and $41,100 in cash. The acquisition was accounted for by the purchase method and, accordingly, operations of Devon are included in the consolidated financial statements from the date of acquisition. The total cost of the acquisition of approximately $70,600, exceeded the fair value of the net assets of Devon by $56,655 which included adjustments of $5,356 in fiscal 1985 for resolved items which were contingencies at acquisition date.

The following table summarizes, on an unaudited pro forma basis, the combined statements of earnings of the Company including Adams for the years ended 1985 and 1984 as though both the Adams and Devon acquisitions took place at the beginning of fiscal year 1984.

	Year Ended August 3, 1985	Year Ended July 28, 1984
Sales	**$427,610**	$ 373,269
(Loss) earnings from continuing operations	**$ (11,737)**	$ 2,682
Discontinued operations	**863**	3,200
(Loss) earnings before extraordinary items	**(10,874)**	5,882
Extraordinary items	**1,775**	5,379
Net (loss) earnings	**$ (9,099)**	$ 11,261
(Loss) earnings per share:		
(Loss) earnings before extraordinary items	**$ (.33)**	$ .17
Net (loss) earnings	**$ (.28)**	$ .33

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands except per share data)

The above amounts reflect adjustments for interest on short and long-term borrowings, a decrease in investment income as a result of the purchase, utilization of net operating loss carry-forwards and amortization of intangible assets related to businesses acquired.

The pro forma information as presented does not purport to be indicative of the results of operations which would have actually been obtained if the acquisitions had been effective on the date indicated or which may be obtained in the future.

5. PLAN OF ARRANGEMENT

On July 6, 1981 the Bankruptcy Court confirmed the Company's Amended Consolidated Plan of Arrangement, dated December 15, 1980, as modified, and the Company was discharged from its Chapter XI proceedings. On January 15, 1985, the Company made its final semi-annual distribution of approximately $10,500 and 1,200,000 shares of the Company's common stock.

In 1985, 1984 and 1983, $1,775, $1,150, and $1,300, respectively, were recognized as income due to better-than-anticipated claims settlements and are reflected in the Consolidated Statements of Operations as extraordinary items.

6. RECAPITALIZATION

On January 19, 1983 the stockholders approved a Plan of Recapitalization designed to simplify the capital structure of the parent company and to eliminate certain provisions arising from the Plan of Arrangement and other ancillary agreements. The impact of the Recapitalization on the financial statements was to retire approximately $40,500 of preferred stock, increase stockholders' equity by $25,500, and require aggregate cash payments of approximately $15,000.

7. COMMITMENTS AND CONTINGENCIES

A. LEASES

All non-cancellable leases with an initial term greater than one year have been categorized as capital or operating leases in conformity with the definitions in Financial Accounting Standards Board Statement No. 13, "Accounting for Leases."

The following analysis represents property under capital leases:

	1984
Buildings	$21,504
Equipment	12,846
	34,350
Less accumulated amortization	17,494
	$16,856

At August 3, 1985 the Company's continuing operations are liable under terms of non-cancellable leases for the following minimum lease commitments:

Fiscal Year Ended	Operating Leases
1986	$12,988
1987	10,626
1988	8,156
1989	6,091
1990	4,152
Later years	9,060
Total minimum lease payments.	$51,073

Rent expense under all operating leases having non-cancellable terms of more than one year, for fiscal years ended 1985, 1984, and 1983, was $12,203, $2,000, and $1,701, respectively.

The operating leases are generally for data processing equipment, store locations and fixtures and equipment.

B. CONTINGENCIES

During the third quarter of fiscal year 1985 the Company entered into a settlement with the Retail Clerks Tri-State Pension Fund, which originally filed a claim in December 1982 for approximately $21,000. The terms included a cash payment and note of $2,500 and $1,000 in Company common stock aggregating approximately 206,000 shares.

The Company and its subsidiaries are parties to claims and lawsuits arising in the normal course of operations and dispositions of real estate made during fiscal 1985. Management, after consultation with counsel, is of the opinion that these actions will not have a material adverse effect on the financial condition or results of operations of the Company.

In connection with the sales of supermarket assets and assignments of leases covering property and equipment that have taken place or are contemplated, the Company is contingently liable for approximately $69,000 of minimum lease payments over remaining initial terms through 2064.

8. Accrued Salaries and Expenses

	1985	1984
Compensation and related benefits	**$11,689**	$10,257
Sales tax	**7,660**	4,029
Self-insurance	**3,310**	4,480
Accrued interest	**4,829**	708
Other	**12,774**	15,185
	$40,262	$34,659

9. Long-Term Debt

	1985	1984
Notes		
Senior subordinated notes due 1993, initially at 11 7/8%, annual sinking fund requirements of $56,250 beginning 1991	**$225,000**	$
14 1/4% subordinated notes, due 1995, annual sinking fund requirements of $35,938 beginning 1992; face value of $143,750	**142,764**	
14 3/8% subordinated debentures due 1997, annual sinking fund requirements of $51,750 beginning 1993; face value of $258,750	**256,913**	
8 3/4% convertible exchangeable subordinated debentures, due 1998, convertible into 189,760 shares of common stock, annual sinking fund requirements of $119 beginning 1990	**1,186**	1,186
Banks		
Prime plus 1/4% to 1 1/4% line of credit, due 1987	**42,700**	25,049
Prime plus 1% with a portion fixed at 13.03% term loan, payable in quarterly installments, due 1991	**41,071**	
14.15% term loan, payable annually, due 1991	**22,000**	
9.5% line of credit due 1986	**9,000**	
Prime plus 2% term loan, payable monthly, due 1986	**833**	
Capitalized lease obligations		20,503
Mortgages, Plan of Arrangement and other	**8,262**	16,791
	749,729	63,529
Less current portion	**25,718**	17,647
	$724,011	$45,882

On July 22, 1985 the Company, in order to finance acquisitions, consummated an underwritten public offering of redeemable preferred stock and debt securities. All of the debt securities have fixed interest rates except for the $225,000 of Senior Subordinated Notes Due 1993 which bear interest from July 15, 1985, initially at 11 7/8% per annum, increasing by (i) 1/2 of 1% per quarter during the first year of their term and (ii) 1/4 of 1% per quarter thereafter.

The covenants in connection with the July Public Offering include a limitation on dividends and stock purchases, a limitation on debt incurrence and the requirement that the Company not register as or take any action which shall cause it to become, an investment company as defined under the Investment Company Act of 1940. The Company is also required to maintain specified financial ratios and levels of net worth.

The $41,071 bank loan is secured by the stock of Adams and guaranteed by other designated subsidiaries of the Company. Devon's secured line of credit, aggregating $47,000, has an outstanding balance of $42,700 which is secured by accounts receivable of $88,936.

The Company has unsecured lines of credit totaling $15,000 which can be used to finance working capital requirements. As of August 3, 1985 no portion of this line was outstanding. In addition, an unsecured line of credit in the amount of $9,000 exists through Adams which was totally utilized at year end. Subsequent to year end, this line of credit was increased to $15,000.

The aggregate annual maturities of long-term debt for the five years subsequent to August 3, 1985 are $25,717, $57,786, $17,572, $2,827 and $2,824. The mortgage notes are secured by substantially all owned land and buildings.

Funds generated by existing operations will not be sufficient to enable the Company to meet its debt service and dividend obligations on the July Public Offering (which will be approximately $106,000 annually) and other fixed charges. The Company anticipates, however, that to the extent revenue producing assets are acquired, its ability to meet such obligations should improve. However, the Company believes that it will have sufficient resources to meet such obligations in the interim. In addition to cash generated from operations, these resources are expected to include (i) amounts realized from interim reinvestment of the net proceeds of the July Public Offering, (ii) existing cash, (iii) proceeds from the disposition of supermarkets and (iv) existing bank lines of credit.

10. Redeemable Preferred Stock

On July 22, 1985 the Company issued 1,300,000 authorized shares of $14.875 Series B Cumulative Redeemable Exchangeable Preferred Stock at $100 per share. These are nonvoting shares and have sinking fund requirements of $26,000 beginning 1996. The redeemable preferred stock has been recorded net of underwriting costs of $5,850 and will be accreted up to its redemption value through the year 2000. Subject to a minimum net worth requirement, the Company may exchange all of the outstanding shares beginning in 1987 for 15 1/8% junior subordinated debentures due 2000. The redeemable preferred stock contains a minimum consolidated net worth requirement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands except per share data)

11. STOCK OPTIONS

The Company has a stock option plan in which various officers and key employees may be granted nontransferable options at prices equal to the fair market value on the date of grant.

Transactions under the plan for the three years ended August 3, 1985 are as follows:

	Stock Options		
	1985	1984	1983
Balance, beginning of year	**721,500**	121,000	129,375
Granted:			
$4.125 to $5.125 per share	**518,000**	614,500	3,000
Exercised:			
$3.75 to $5.125 per share	**(50,637)**	(6,250)	(2,500)
Stock appreciation rights exercised	**(255,000)**		
Cancelled	**(227,500)**	(7,750)	(8,875)
Balance, end of year	**706,363**	721,500	121,000

On April 16, 1984, the stockholders approved an amendment increasing the number of shares of common stock available for the Company's stock option plan to 1,480,000 from 480,000. On August 3, 1985, approximately 200 key employees of the Company and its subsidiaries were eligible to participate in the plan, 26 of whom then held options under the plan.

At August 3, 1985, there were options exercisable covering 685,363 shares at prices ranging from $3.69 to $6.00 per share compared with options exercisable covering 113,375 shares at prices ranging from $3.50 to $6.00 at July 28, 1984. The options outstanding at August 3, 1985 range in expiration dates from April 11, 1989 to February 5, 1995 and have an average exercise price of $4.59 per share. As of August 3, 1985, an additional 468,000 shares were available for granting of options. Certain options granted were subject to stock appreciation rights, all of which have been exercised.

On July 24, 1985 the Board of Directors authorized, subject to stockholder approval, the granting of options to purchase an aggregate of approximately 1,250,000 shares of common stock to certain officers and directors of the Company and MacAndrews & Forbes.

At August 3, 1985, in addition to the 1,174,363 common shares reserved for issuance under the stock option plan 10,666,667 shares were reserved for issuance upon conversion of the Company's outstanding shares of Series A preferred stock, 381,901 shares were reserved under the Company's employee stock purchase plan and 189,760 shares were reserved for issuance upon conversion of outstanding debentures.

12. NON-RECURRING AND MISCELLANEOUS (EXPENSES) INCOME

	1985	1984	1983
Provision for expenses related to change of control	**$ (8,000)**	$	$
Proxy expenses	**(6,517)**		
(Increase) reduction of Baltimore pension termination liability	**(673)**	1,380	
Recovery of excess assets from terminated operations pension plans		488	1,050
	$(15,190)	$1,868	$1,050

In 1985, a provision of $8,000 was established for compensation and severance for certain executives, officers and other key employees as a result of the sale of voting preferred shares to MacAndrews & Forbes, which constituted a change of control under the Company's compensation continuity program.

Expenses of $6,517 were incurred as a result of the proxy contest which was instituted by a group of dissident shareholders during the beginning of fiscal 1985. Included in this expense is litigation related to the proxy contest settled during the fourth quarter.

During 1984 and 1983, the Company received distributions from terminated pension plans related to closed operations, representing plan assets in excess of plan liabilities. During 1981, a liability was established to provide for the Company's withdrawal from certain union-sponsored pension plans in the closed Baltimore region. During 1985, the Company settled with one of the plans for an amount in excess of the estimated provision. Therefore, the provision was increased by $673. During 1984, the Company received demands for payment substantially less than its estimated provision. Accordingly, the provision was reduced by $1,380.

13. INCOME TAXES

The provision for income taxes in 1985, 1984, and 1983 is as follows:

	1985	1984	1983
Provision in lieu of taxes	**$**	$2,078	$1,407
State income taxes:			
Current	**835**		
Deferred	**125**	102	
	$960	$2,180	$1,407

A reconciliation of the Company's effective tax rate and federal statutory rate for 1984 and 1983 is as follows:

	1984	1983
Taxes computed at statutory rate	$2,077	$1,321
State income taxes, net of federal tax effect	135	86
Other	(32)	
	$2,180	$1,407

The provision in lieu of income taxes for fiscal years 1984 and 1983 represents the equivalent amount which would be required in the absence of the available operating loss carryforwards. The Company has recognized a tax benefit of $3,242 in 1984 ($2,078 from continuing operations, plus $1,164 from discontinued operations), and $5,949 in 1983 ($1,407 from continuing operations, plus $4,542 from discontinued operations), resulting from the utilization of net operating loss carryforwards. This benefit has been recorded as an extraordinary item.

The Company and its subsidiaries file a consolidated federal income tax return. At August 3, 1985 the Company and its subsidiaries had available to reduce future taxable income, a net operating loss carryforward approximating $340,000 (subject to certain interpretations and restrictive provisions of the Internal Revenue Code) which expires as follows: $9,000 in 1989; $12,000 in 1990; $4,000 in 1991; $125,000 in 1994; $150,000 in 1996; $13,000 in 1997; $3,000 in 1998; $13,000 in 1999 and $11,000 in 2000. The net operating losses expiring in years 1989 through 1991 are carried forward from taxable years which have been audited by the Internal Revenue Service; subsequent losses are in taxable years which have not been examined by the Internal Revenue Service.

The Internal Revenue Code provides that, under certain circumstances, net operating loss carryforwards may be disallowed if the ownership of stock by the ten largest stockholders of the corporation increases (through purchases) by more than 50 percentage points over two fiscal years and the corporation has not continued to carry on a trade or business substantially the same as conducted before any change of ownership. Although precise calculation of changes in stock ownership (through purchases) is difficult, in part, because such calculation is subject to varying interpretations of the Internal Revenue Code, the Company believes that the changes that have occurred approach, but do not constitute, a change of ownership. The Company is monitoring transfers of the Company's Common Stock and believes that it is taking all reasonable actions with a view toward attempting to prevent a change of ownership.

Investment tax credits of approximately $8,000 were available at August 3, 1985 (subject to certain restrictive provisions of the Internal Revenue Code) for use in federal income tax returns. The investment tax credits expire in varying amounts annually from 1989 through 2000.

14. Earnings Per Share

Earnings per common and common equivalent share is computed by dividing net earnings, less Series A Cumulative Convertible and Series B Cumulative Redeemable Exchangeable preferred stock dividends for 1985 and accretion for 1983 by the weighted average number of common and common equivalent shares outstanding. Conversion of $41,314 of the debentures into approximately 8,263,000 shares of common stock and 7,863,000 shares issued for the purchase of Devon are included in the computation of earnings per share on a weighted average basis from the date of issuance for 1984. Contingent shares that were issuable at a future date, in accordance with the Chapter XI Plan of Arrangement, and options granted to certain employees are considered common stock equivalents.

15. Pension Plans

The Company and its subsidiaries maintain various noncontributory single-employer pension plans covering certain hourly and salaried employees. Effective August 1, 1984, the Company adopted, for a majority of the salaried employees, a Deferred Savings Plan for Salaried Employees pursuant to Section 401(k) of the Internal Revenue Code. Accumulated plan benefit information, as estimated by consulting actuaries, and plan net assets for the single-employer plans for hourly employees and salaried employees plan are:

	January 1, 1984	January 1, 1983
Actuarial present value of accumulated plan benefits:		
Vested	**$30,412**	$26,716
Non-vested	**1,386**	1,186
	$31,798	$27,902
Net assets available for benefits	**$21,234**	$21,491

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 7%.

Pension expense for the plans for fiscal years ended 1985, 1984 and 1983 was $665, $102, and $194, respectively. Required payments for the years 1986 through 1989 for the termination liability established in 1981 associated with the closing of the Company's Baltimore region, are approximately $1,425, $882, $835 and $245, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands except per share data)

16. SEGMENT INFORMATION

For fiscal 1985, the Company's segments include drug and health and beauty aid store operations located in 10 states in the Northeast as well as consumer merchandise operations located throughout the United States (See Note 4 "Acquisition of Businesses").

Operating profit includes cost of goods sold and selling, general and administrative expenses. Sales and earnings from continuing operations before income taxes for fiscal 1984 were restated to reflect the discontinued supermarket operations.

	Year Ended August 3, 1985	Year Ended July 28, 1984
Sales:		
Retail drug operations	$ 273,086	$
Consumer merchandise operations	72,049	8,326
Total sales	$ 345,135	$ 8,326
(Loss) earnings from continuing operations before income taxes:		
Retail drug operations	$ 14,604	$
Consumer merchandise operations	11,703	1,255
Corporate and other	(10,746)	(2,584)
Operating profit (loss)	15,561	(1,329)
Interest income	4,477	6,147
Interest expense	(14,340)	(2,170)
Miscellaneous	(673)	1,868
Earnings from continuing operations before non-recurring expenses	5,025	4,516
Non-recurring compensation and proxy contest expenses	(14,517)	
(Loss) earnings from continuing operations before income taxes	$ (9,492)	$ 4,516
Identifiable assets:		
Retail drug operations	$ 171,544	$
Consumer merchandise operations	144,713	109,110
Corporate and other	777,458	27,524
Supermarket operations		115,000
Discontinued operations	35,615	14,475
Total identifiable assets	$1,129,330	$266,109
Capital expenditures (excluding capital leases):		
Retail drug operations	$ 4,961	$
Consumer merchandise operations	3,060	339
Corporate and other	562	93
Supermarket operations		11,679
Total capital expenditures	$ 8,583	$ 12,111
Depreciation and amortization expense:		
Retail drug operations	$ 2,957	$
Consumer merchandise operations	2,141	309
Corporate and other	533	425
Total depreciation and amortization expense	$ 5,631	$ 734

17. REVLON, INC. TENDER OFFER

On August 23, 1985, Nicole Acquisition Company, a wholly owned subsidiary of the Company, commenced an all cash tender offer to purchase any and all outstanding common shares of Revlon, Inc. After the first offer terminated, a second offer was initiated on September 16, 1985 and through a series of amendments thereto, the latest of which was on October 18, 1985, the Company increased its offer to $58.00 per share for any and all outstanding common shares of Revlon, Inc., subject to certain conditions. If consummated, this acquisition will cost approximately $2.0 billion and will require additional borrowings of approximately $1.2 billion, for which the Company has obtained commitments.

Each of MacAndrews & Forbes and Revlon, Inc. have instituted litigation against each other in which conflicting claims have been alleged in connection with the Company's tender offer and measures adopted by Revlon, Inc. in response thereto.

18. WORKING CAPITAL CHANGES

	1985	1984	1983
Cash and cash equivalents	$(23,160)	$(38,761)	$31,091
Accounts receivable, net	19,930	3,995	(1,431)
Inventories	(19,511)	(31,764)	(3,121)
Prepaid and other	(2,437)	605	(7,165)
Notes payable			500
Accounts payable	18,820	6,243	2,474
Accrued salaries and expenses	2,423	9,342	3,462
Current portion of long-term debt	7,615	(1,383)	(211)
Related to acquisitions	66,981	42,685	
Increase (decrease) in working capital	$ 70,661	$ (9,038)	$25,599

19. SUBSEQUENT SALE OF STOCK

On August 12, 1985 the Company sold $10,000 of Series A Cumulative Convertible Preferred Stock to certain entities related to Drexel Burnham Lambert Incorporated upon substantially the same terms as the sale of Series A preferred stock to MacAndrews & Forbes.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Stockholders
Pantry Pride, Inc.

We have examined the consolidated balance sheets of Pantry Pride, Inc. and its subsidiaries as of August 3, 1985 and July 28, 1984, and the related consolidated statements of operations, stockholders' equity and changes in financial position for each of the three years in the period ended August 3, 1985. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Pantry Pride, Inc. and subsidiaries at August 3, 1985 and July 28, 1984, and the results of their operations and changes in their financial position for each of the three years in the period ended August 3, 1985, in conformity with generally accepted accounting principles applied on a consistent basis.

Miami, Florida
October 24, 1985

Touche Ross & Co.
Certified Public Accountants

MANAGEMENT'S REPORT

The management of Pantry Pride, Inc. has prepared and is responsible for the accompanying consolidated financial statements. The statements were prepared in accordance with generally accepted accounting principles and, reflecting managment's best judgment, present fairly the Company's financial position and results of operations.

The Company maintains an accounting system and related controls that it believes are sufficient to provide reasonable assurance that financial records are reliable for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance is based on the recognition that the cost of a system of internal control must be related to the benefits derived and that the balancing of those factors requires estimates and judgment.

The independent certified public accountants provide an objective, independent review as to management's discharge of its responsibilities insofar as they relate to the fairness of reported operating results and financial condition. They obtain and maintain an understanding of the Company's accounting controls, and conduct such tests and related procedures as they deem necessary to arrive at an opinion on the fairness of the consolidated financial statements.

The Audit Committee, comprised solely of outside directors, periodically meets with the independent certified public accountants, and representatives of management to discuss auditing and financial reporting matters. The independent certified public accountants have free access to meet with the Audit Committee, without management representatives present, to discuss the scope and results of their examination and their opinion on the adequacy of internal control and the quality of financial reporting.

October 24, 1985

PANTRY PRIDE, INC.

SUPPLEMENTARY INFORMATION ON CHANGING PRICES (unaudited)

(dollars in thousands except per share data)

BACKGROUND

The Financial Accounting Standards Board issued Statement No. 33, "Financial Reporting and Changing Prices," which provides methods for presenting information to evaluate the impact of inflation on the historical financial statements. These methods involve the use of numerous assumptions and estimates; therefore, the resulting measurements should be viewed in that context and not as precise indicators of the effects of inflation.

The historical cost financial statements, which do not fully reflect the effects of inflation, are prepared in accordance with generally accepted accounting principles. This method maximizes the reliability of financial reporting because it is objective and verifiable. In the accompanying schedules, this historical cost information has been restated to show the effects of changes in specific prices (current cost).

CURRENT COST

In the current cost restatement, certain historical transactions were adjusted to reflect changes in specific prices of the resources used in the Company's operations. Appropriate published indices were selected to adjust the cost of the Company's property and equipment. Depreciation and amortization were calculated using the current cost of property and equipment and applying the same methods and estimated lives used in preparing the historical financial statements. The current cost valuation of inventories was calculated using the approximate purchase cost at year end. Cost of goods sold reflects the approximate cost at time of sale.

SUMMARY

As indicated in the accompanying Consolidated Statement of Operations Adjusted for the Effects of Changing Prices, there is an impact on earnings with the current cost method. The difference is primarily due to an increase in cost of goods sold resulting from two factors. First, on the Company's inventories, an amount is added to cost of goods sold representing inflationary increases in costs. Second, property and equipment which are reported in the primary financial statements at historical cost, would cost more if purchased today. The depreciation and amortization charges in the adjusted statements for cost of goods sold and also selling, general and administrative expenses are based on the higher cost for these assets.

The Company believes that this supplementary data should be viewed with caution since such data cannot objectively portray all financial and economic indicators. Therefore, this information should not be considered as a precise indication of the impact of inflation upon the Company.

CONSOLIDATED STATEMENT OF OPERATIONS ADJUSTED FOR THE EFFECTS OF CHANGING PRICES

	As Reported In Financial Statements	Adjusted For Changes In Current Costs
Sales, continuing operations	$345,135	$345,135
Costs and operating expenses:		
Cost of goods sold	222,426	223,531
Selling, general and administrative expenses	112,566	112,802
Interest from sales financing, net	(5,418)	(5,418)
	329,574	330,915
Operating profit	15,561	14,220
Interest income	4,477	4,477
Interest expense	(14,340)	(14,340)
Miscellaneous	(673)	(673)
Earnings from continuing operations before non-recurring expenses	5,025	3,684
Non-recurring compensation and proxy contest expenses	(14,517)	(14,517)
Loss from continuing operations before income taxes	(9,492)	(10,833)
Provision for income taxes	(960)	(960)
Loss from continuing operations.	$(10,452)	$(11,793)
Gain in purchasing power of net monetary liabilities		$ 2,512

At August 3, 1985, the current cost of inventory was $114,700 and the current cost of property and equipment net of accumulated depreciation was $30,837. Depreciation expense on a current cost basis amounted to $3,822 in the aggregate.

FIVE YEAR COMPARISON OF SELECTED FINANCIAL DATA ADJUSTED FOR EFFECTS OF CHANGING PRICES

	1985	1984(a)	1983(a)	1982(a)	1981(a)
Sales, continuing operations	**$345,135**	$ 8,651	$	$	$
Historical cost information adjusted to current dollars					
(Loss) earnings from continuing operations	**(11,793)**	2,297	1,548	5,390	(6,741)
(Loss) earnings from continuing operations per share (b)	**(.35)**	.08	(.11)	(.08)	(.89)
Net assets at end of year	**192,060**	180,601	144,401	161,652	149,626
Excess (shortage) of increase in general price level over increase in specific prices	**1,113**	11,493	(2,693)	(7,925)	6,830
Gain in purchasing power of net monetary liabilities	**2,542**	2,710	3,348	9,756	37,511
Market price per share at year end (c)	**7.63**	3.25	6.88	5.19	4.86
Average consumer price index	**317.7**	305.9	294.7	283.4	261.7

(a) Earnings (loss) restated to reflect the discontinued supermarket operations.

(b) Loss used to calculate per share information was reduced for preferred stock dividends of $1,835 for fiscal 1985, and for accretion of $3,111 for fiscal 1983 and $5,536 for fiscal 1982.

(c) The actual year-end closing market prices were $7.63, $3.13, $6.38, $4.63 and $4.00 from 1985 through 1981, respectively.

See Notes to Consolidated Financial Statements.

SELECTED QUARTERLY FINANCIAL DATA (unaudited)
(dollars in thousands except per share data)

	Quarter Ended				
	November 17, 1984(a)(b)	**February 9, 1985(a)(b)**	**May 4, 1985(a)(b)**	**August 3, 1985**	**Total 1985**
Sales, continuing operations	**$35,721**	**$105,353**	**$94,746**	**$109,315**	**$345,135**
Gross profit	**15,693**	**36,756**	**31,665**	**38,595**	**122,709**
Earnings (loss) from continuing operations before non-recurring expenses	**1,910**	**3,528**	**233**	**(646)**	**5,025**
Earnings (loss) from continuing operations	**706**	**(305)**	**(2,359)**	**(8,494)**	**(10,452)**
(Loss) earnings from discontinued operations	**(488)**	**324**	**2,778**	**(1,751)**	**863**
Extraordinary items (c)	**819**	**373**	**105**	**478**	**1,775**
Net earnings (loss)	**1,037**	**392**	**524**	**(9,767)**	**(7,814)**
Earnings (loss) per share	**.03**	**.01**	**.01**	**(.30)**	**(.25)**

	Quarter Ended(b)				
	November 19, 1983	February 11, 1984	May 5, 1984	July 28, 1984	Total 1984
Sales, continuing operations	$	$	$	$ 8,326	$ 8,326
Gross profit				4,767	4,767
Earnings from continuing operations before non-recurring expenses	696	244	835	2,741	4,516
Earnings from continuing operations	355	124	426	1,431	2,336
Earnings from discontinued operations	1,164	590	1,118	328	3,200
Extraordinary items (c)	1,460	1,836	1,482	(386)	4,392
Net earnings	2,979	2,550	3,026	1,373	9,928
Earnings per share	.13	.11	.10	.04	.36

(a) Restated to reflect for the retail drug operations a change in inventory method from first in, first out (FIFO) to last in, first out (LIFO) and in the second quarter the post acquisition effect of a warehouse inventory overage. The effect on both earnings from continuing operations and net earnings and the related earnings per share is $72, $100 and $.00, $.00; $1,622, $3,038 and $.04, $.08; and $269, $498 and $.01, $.02 for the quarters ended November 17, February 9, and May 4, respectively for fiscal 1985.

(b) Restated to reflect the discontinued supermarket operations.

(c) Gain from debt reduction and/or utilization of net operating loss carryforward.

COMMON STOCK PRICE DATA

Fiscal Year	Fiscal Quarter Ended	High	Low
1985	**November 17, 1984**	**5 5/8**	**3 1/8**
	February 9, 1985	**4 1/2**	**3 1/2**
	May 4, 1985	**5 3/4**	**4 1/4**
	August 3, 1985	**7 7/8**	**5 1/4**
1984	November 19, 1983	6 1/2	5 3/8
	February 11, 1984	6 1/2	5 1/4
	May 5, 1984	5 1/4	4 1/8
	July 28, 1984	4 1/4	3 1/8
1983	November 20, 1982	5 3/8	4 1/4
	February 12, 1983	5 3/4	5
	May 7, 1983	6 3/4	4 7/8
	July 30, 1983	7 3/4	5 3/8

Stock Trading Market: New York and Pacific Stock Exchanges
Approximate number of Stockholders of Record at August 3, 1985: 21,158.

Market quotations are from Pacific Stock Exchange reports through February 18, 1983 and thereafter from New York Stock Exchange reports of composite transactions.

No dividends were declared or paid on the common stock during any of the periods set forth above. Under the provisions of various debt agreements to which the Company is a party, the Company has agreed to certain restrictions on dividend payments. In addition, common stock cash dividends may not be paid unless full cumulative dividends on the Series A and Series B Preferred stock have been paid.

CORPORATE DATA

ANNUAL MEETING

The Annual Meeting of Stockholders will be held on Thursday, January 30, 1986, at 9:30 a.m., local time, at the Chemical Bank, 277 Park Avenue, New York, New York. Stockholders are cordially invited to attend. Notice of the meeting, proxy statement and proxy form are included in the report to each stockholder of record as of December 2, 1985.

FORM 10-K

A copy of the Company's Form 10-K for the fiscal year ending August 3, 1985, which has been filed with the Securities and Exchange Commission is available to stockholders at no charge upon request to: Office of the Secretary, 555 S.W. 12th Avenue, Pompano Beach, Florida 33069.

COMMON STOCK TRADED

New York Stock Exchange
Pacific Stock Exchange

EXECUTIVE OFFICES

555 S.W. 12th Avenue
Pompano Beach, Florida 33069

AUDITORS

Touche Ross & Co., Miami, Florida

REGISTRAR & STOCK TRANSFER AGENT

Registrar & Transfer Company
10 Commerce Drive
Cranford, New Jersey 07016

DIRECTORS AND OFFICERS

DIRECTORS

Donald C. Carroll 3,4,6
Chairman and President
CGW Data Services, Inc.

Joseph L. Castle 2,3,4,5
Business and Financial Consultant

Howard Gittis 1
Vice Chairman

David G. Kay 2,3,5,6
Managing Director and Director of Mergers and Acquisitions
Drexell Burnham & Lambert, Inc.

Richard Kroon
Chairman of the Board and President
DLJ Capital Corp.

Jewel S. Lafontant 5,6
Senior Partner
Vedder, Price, Kaufman & Kammholz, P.C.,
Attorneys-at-Law

Edward J. Landau
Partner
Lowenthal, Landau, Fischer & Ziegler, P.C.
Attorneys-at-Law

Ronald O. Perelman 1,2,6
Chairman and Chief Executive Officer
Officer

Pierre A. Rinfret 2,3,5
Economic and Financial Intelligence Consultant

Bruce Slovin 1,2,6
President

Fred R. Sullivan 3,4,5
President and Chief Executive Officer
Kidde, Inc.

Fred L. Tepperman 1,2
Senior Executive Vice President

1 Executive Committee
2 Finance Committee
3 Audit Committee
4 Corporate Opportunity Committee
5 Compensation Committee
6 Nominating Committee

OFFICERS

Ronald O. Perelman
Chairman of the Board and Chief Executive Officer

Howard Gittis
Vice Chairman

Bruce Slovin
President

Fred L. Tepperman
Senior Executive Vice President

Michael A. McManus, Jr.
Executive Vice President

Frederick W. McNabb, Jr.
Senior Vice President

Carl T. Tsang
Senior Vice President, Treasurer

Henry H. Graham
Senior Vice President, Chief Financial Officer

Norman Ginstling
Vice President

Richard E. Halperin
Vice President and Special Counsel to the Chairman

Howard F. Gordon
Vice President, Secretary and General Counsel

Glenn P. Dickes
Assistant Secretary

David L. Chiras
Assistant Secretary and Assistant General Counsel

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